

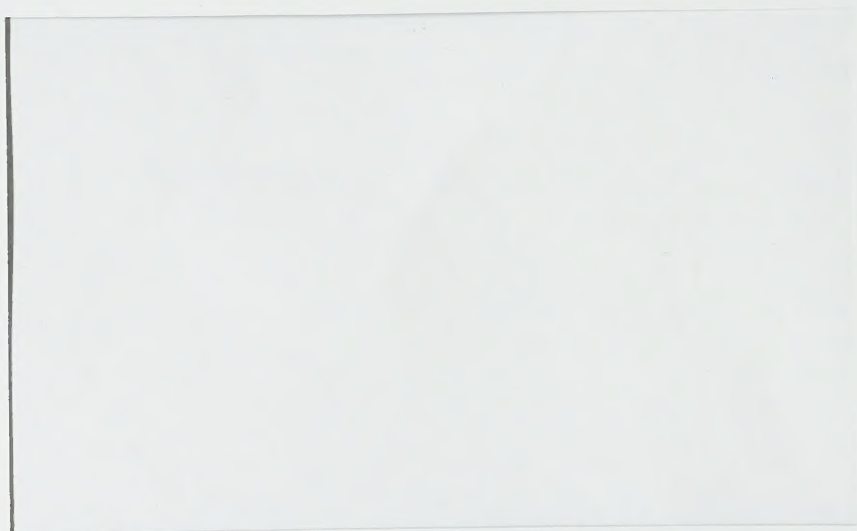
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WHERE ARE ONTARIO'S JOBS?
LABOUR MARKET TRENDS
1989-1994
Current Issue Paper 163



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INTRODUCTION

The economic downturn that followed Ontario's booming growth of the mid-1980s resulted in almost one-quarter of a million fewer people employed in 1992 than in 1989. Since 1992, the number employed has gradually risen again, but at a much slower rate than following the 1982 recession. Not only has the rate of job creation been slow, but some speculate that the jobs that are returning are qualitatively different from those that were lost. This paper takes a statistical look at Ontario's labour market over the last six years and identifies industrial or occupational trends in employment in Ontario since 1989.

The paper first describes the data underlying the statistics, and the methodology used. Subsequent sections describe the industrial structure of the labour market as it was in 1989, how it has changed in 1994, and characteristics of the jobs that are being created. The final section discusses the implications of the findings.

METHODOLOGY

Since the paper is based on statistical information, this section briefly explains the strengths and weaknesses of the data to be used, and how the subsequent analyses are presented. And this illustrates a more general caution: because so much of contemporary economic discussion is based on statistics of one form or another, it is crucial to understand exactly what those statistics can and cannot tell us.

The primary sources of data are two monthly surveys by Statistics Canada: the Labour Force Survey and the Survey of Employment, Payrolls and Hours. The Labour Force Survey measures *individuals* in the labour force (employed and unemployed) while the Survey of Employment, Payrolls and Hours questions *establishments* (i.e., employers—businesses, governments, institutions). The two surveys complement each other, one providing household-based information and the other detailed industrial and earnings data. The two surveys do not provide the same results, though the overall trends over time are similar. Statistics Canada describes some of the gaps between the surveys, including:

- ▶ The Labour Force Survey estimates of total employment are higher than those obtained through the Survey of Employment, Payrolls and Hours since the Labour Force Survey includes the self-employed and unpaid family workers assisting in the operation of a family farm or

business, as well as industries such as agriculture or fishing that are excluded from the Survey of Employment, Payrolls and Hours.

- ▶ Persons who have two paid jobs are counted once in the Labour Force Survey but separately at each of their jobs in the Survey of Employment, Payrolls and Hours.
- ▶ Variations in industry group are relatively large in construction, mining and public administration, due in part to differences in industry coding procedures.¹

The choice of which survey data to use depends on the purpose of the analysis. This paper focuses on Labour Force Survey data for overall labour market conditions, supplemented by the Survey of Employment, Earnings and Hours for more detailed industrial and earnings data.

There are some additional caveats to interpreting the data.

- ▶ There can be seasonal variations in employment data (e.g., fewer teachers in the summer months or construction workers in the winter months). This variation has been accounted for by using Labour Force Survey annual averages; the Survey of Employment, Earnings and Hours data, however, are from the December series. While seasonality may affect the levels reported each month, it should not affect the overall trends over time.
- ▶ Although they are often used interchangeably, employment data do not strictly equate with the number of jobs (a) since under the Labour Force Survey, an employed worker may hold more than one job, and (b) because of issues associated with part-time jobs.
- ▶ The surveys record the number employed at a given point in time, but do not track specific employees. One hundred people employed at the time of one survey, therefore, are not necessarily the same people or the same jobs as one hundred people employed in a subsequent survey. Consequently, the difference between two periods indicates *net* job creation or loss, not the *total* number of new jobs gained or old jobs lost.

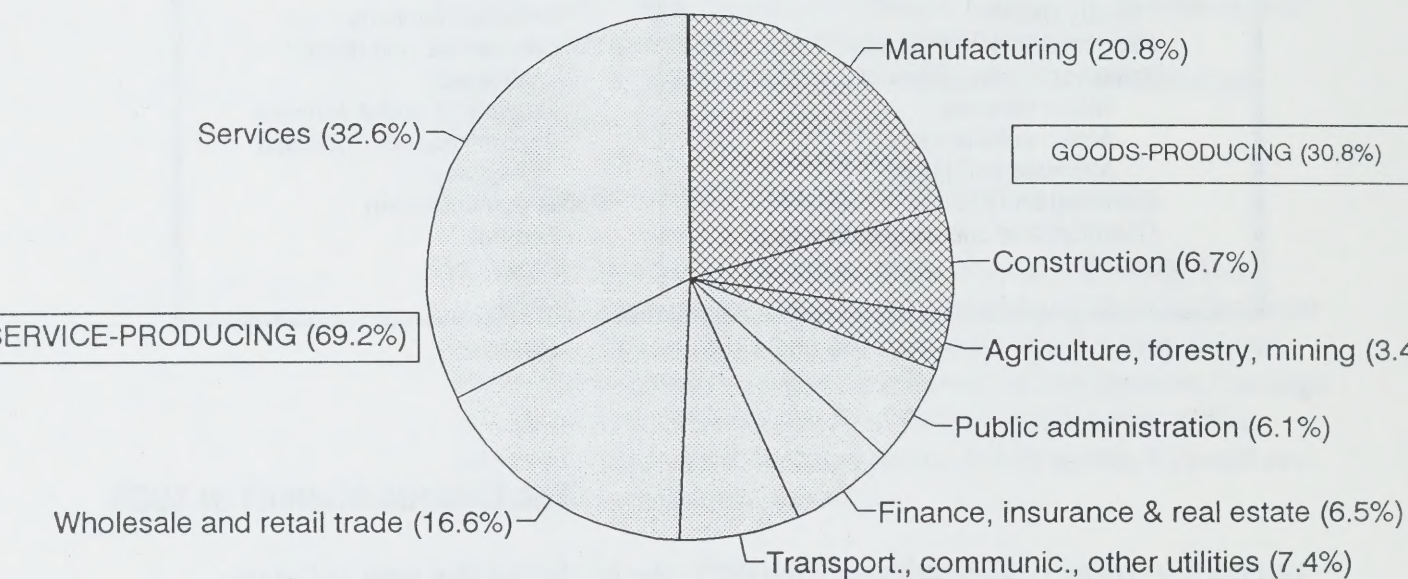
Finally, the different levels of industrial aggregation used are shown in the following table.

SECTORAL AND INDUSTRIAL CLASSIFICATION SELECTED INDUSTRIES	
Goods-producing: Agriculture Other primary Forestry and Logging Fishing and Trapping Mines, Quarries and Oil Wells Manufacturing Food Printing and publishing Primary metals Fabricated metal products Transportation equipment Motor vehicles Motor vehicle parts Vehicles and parts Electrical and electronic products Chemical and chemical products Construction	Service-producing: Transportation, communication and other utilities Trade Wholesale trade Retail trade Finance, insurance and real estate Services Business services Educational and related services Health and social services Accommodation, food and beverage Public administration Federal Provincial Local

THE LABOUR MARKET IN 1989

During the mid-1980s, the level of employment in Ontario increased by an average of 3.5% annually, so that by 1989, almost five and one-quarter million people were employed in Ontario.² Approximately one-third of these were in the broadly defined goods-producing employment and two-thirds in service-producing employment. Manufacturing, the main goods-producing sector, has traditionally been a stalwart source of employment in Ontario and accounted for over one million of those jobs in 1989. Within the service-producing sector, business, education, health and social services are key industries, also accounting for one million jobs.

ONTARIO EMPLOYMENT BY SECTOR: 1989



Source: Statistics Canada, "Labour Force Annual Averages, 1989-1994," Table 9A

CHANGES BETWEEN 1989 AND 1994

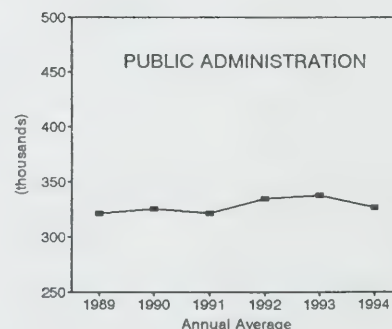
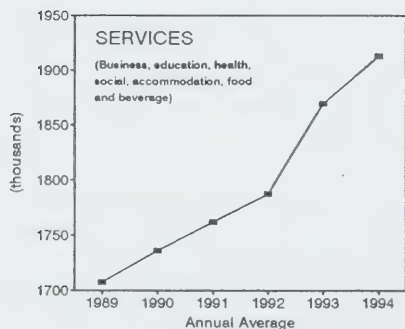
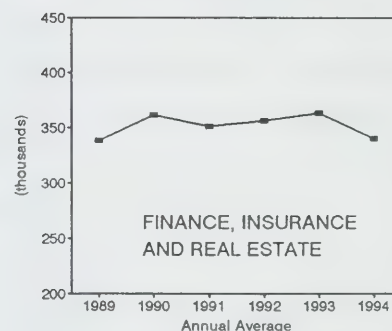
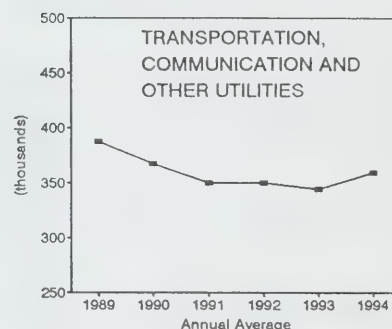
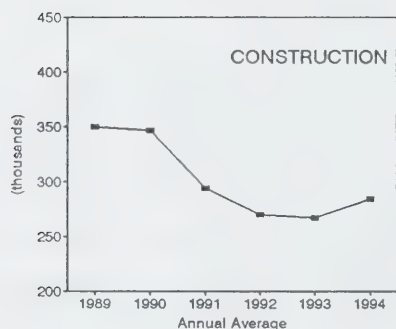
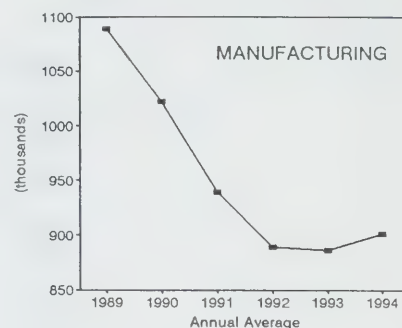
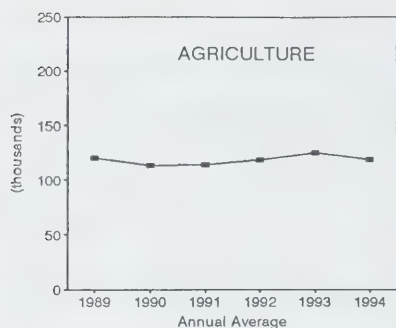
Broad sectoral changes

1989 represents a turning point, at least symbolically, in the Ontario economy. Industrial restructuring, the result of ongoing globalization, was typified by the Canada–US Free Trade Agreement which came into force that year. It was also the last year of economic growth for some time, as Ontario moved into recession in 1990. The recession formally lasted two years, and by 1992 there were almost one quarter of a million fewer people employed than in 1989. The recovery that began in 1992 was slow so that, by the end of 1994, total employment had not yet regained 1989 levels.

While measuring total employment is useful in painting a broad picture over time, counting all industries and employees together can disguise specific patterns and trends within the labour force. To capture important developments we must disaggregate total employment into its component sectors. It is also useful to examine trends year-by-year since comparing only two points in time can lead to very different conclusions, depending on the years chosen.

Analysing employment trends by sector reveals that, while most sectors experienced a decline in employment between 1989 and 1994, some continued to grow. Most severely impacted was manufacturing, which lost around 200,000 jobs. Construction, transportation and mining also suffered reduced employment. The exception to declining employment levels was in services, which steadily increased employment throughout the period. The greatest increase occurred in health and social services which increased employment levels by 21%.

ONTARIO EMPLOYMENT BY SECTOR, 1989-1994



Source: Statistics Canada, 71-529, "Labour Force Annual Averages, 1989-1994," Table 9A.

The following series of graphs illustrate these trends. In each graph, the range of employees represented remains the same (i.e., 50 to 150 is the same range of 100 as 200 to 300) even though the maximum and minimum values may be different.

This is the clearest way to allow visual comparison of the trends between different industries.

Changes within manufacturing and service sectors

Both the manufacturing and service sectors are large and incorporate a wide variety of different industries. Key manufacturing industries in Ontario include automotive and automotive parts, primary metals, fabricated metal products, electrical and electronic products, food processing, printing and publishing and chemical products. These seven industries together represent around two-thirds of manufacturing employment. Service producing industries not only incorporate business, education, health and social services, but also wholesale and retail trade, finance, insurance, accommodation, food and beverage industries.

The next two charts further disaggregate employment data and illustrate the differing employment trends in selected service and manufacturing industries. While some have begun to recover from employment losses during the recession, others have either been unaffected or continue to lose jobs. (Unlike earlier charts, these data are from the Survey of Employment, Payrolls and Hours, and are therefore based on different numbers.)

- ▶ Uninterrupted growth:
 - Manufacturing – none
 - Services – health and social services have increased their employment levels almost every year during the period under review;
- ▶ Recovery:
 - Manufacturing – automotive and automotive parts industries have recovered jobs lost and exceeded their 1989 employment levels; food processing is approaching 1989 employment levels;
 - Services – education and related services, wholesale trade and accommodation, food and beverage services have

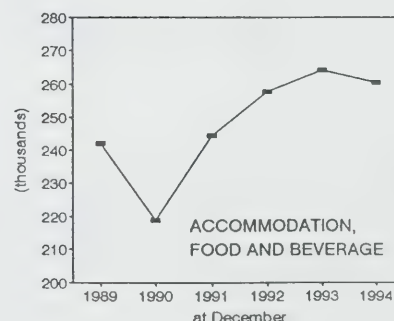
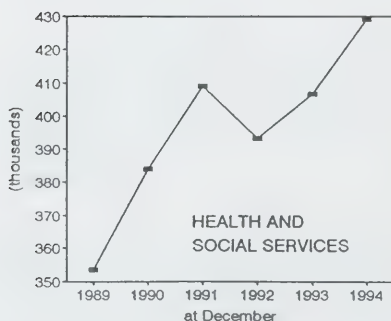
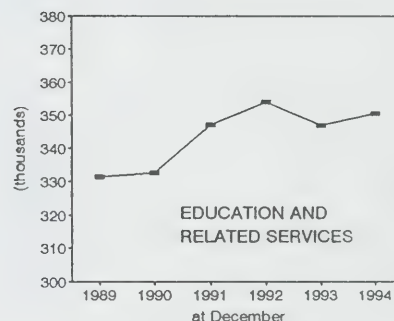
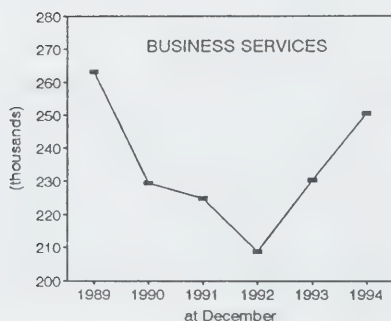
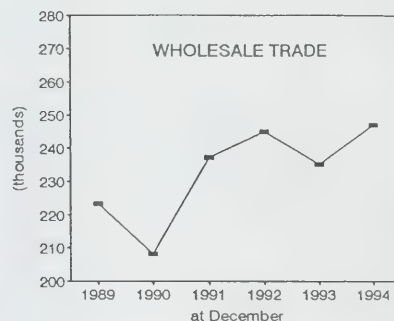
exceeded their 1989 levels; retail trade and business services are approaching 1989 employment levels;

► Decline:

- Manufacturing – the chemical industry has declined throughout 1989-1994.

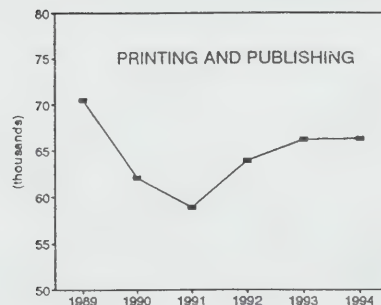
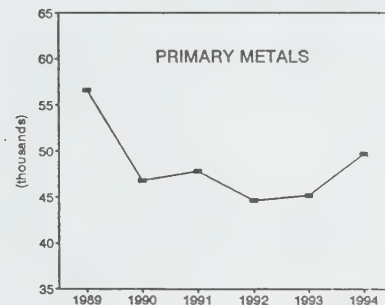
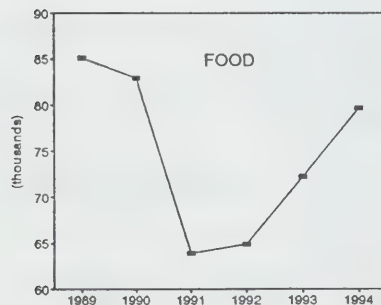
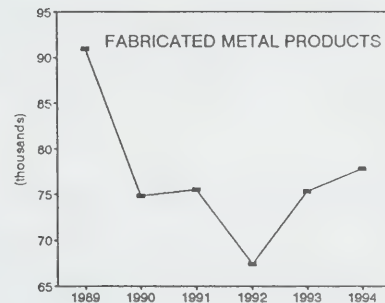
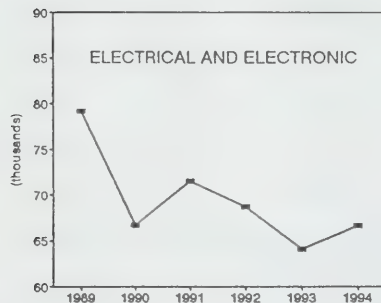
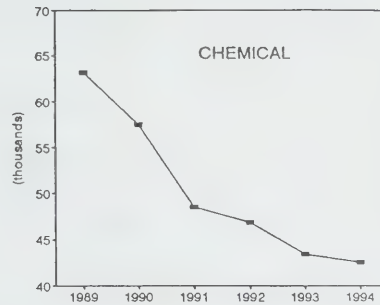
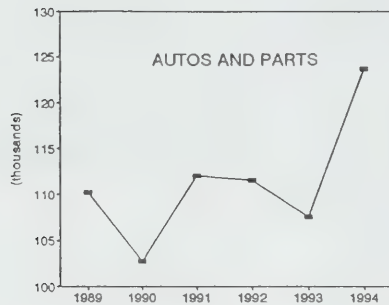
EMPLOYMENT IN SELECTED SERVICE INDUSTRIES

ONTARIO: 1989-1994



Source: Statistics Canada 72-002, "Employment, Earnings and Hours," December series.

EMPLOYMENT IN SELECTED MANUFACTURING INDUSTRIES ONTARIO: 1989-1994

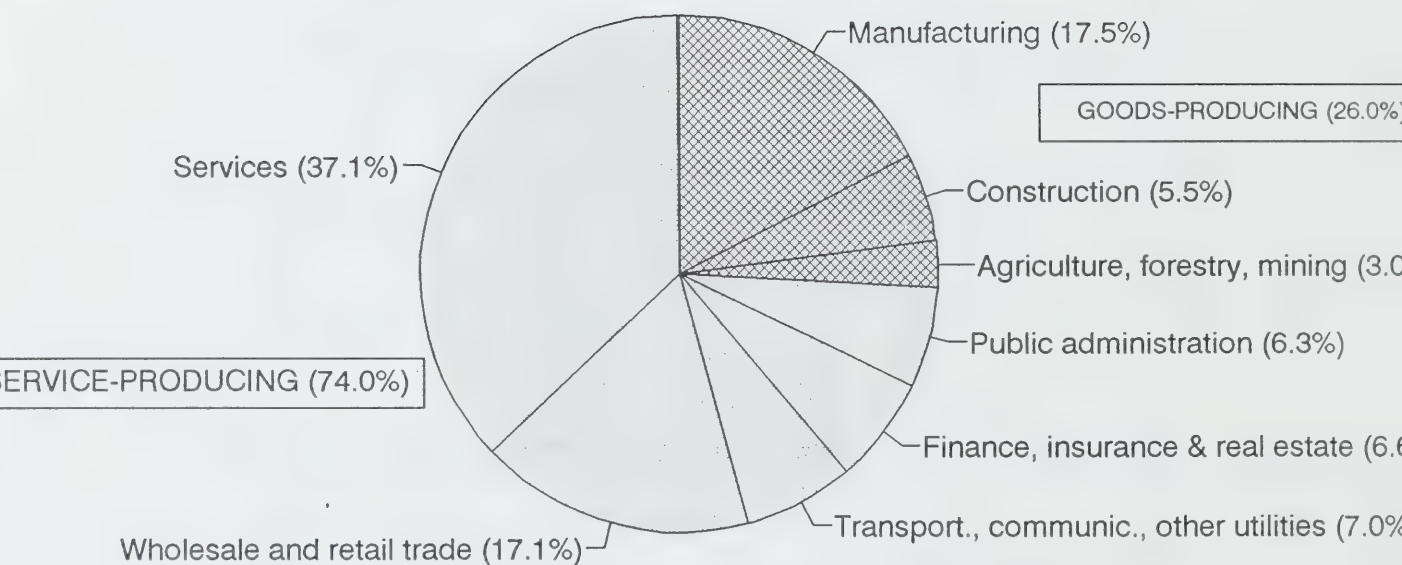


Source: Statistics Canada 72-002,
"Employment, Earnings and Hours,"
December series.

Current labour market

By the end of 1994, most sectors had begun to recover but had not reached pre-recessionary levels. The long-term trend towards service employment had continued, with services now representing 74% of total employment compared to 69% in 1989. By April 1995, however, the recovery had stalled, with a dip in total employment, as well as in agriculture, construction, trade and public administration. Services, manufacturing and transportation, communications and other utilities were the only sectors that continued to record rising employment.³

ONTARIO EMPLOYMENT BY SECTOR: 1994



Source: Statistics Canada, "Labour Force Annual Averages, 1989-1994," Table 9A

WHAT KINDS OF JOBS ARE BEING CREATED?

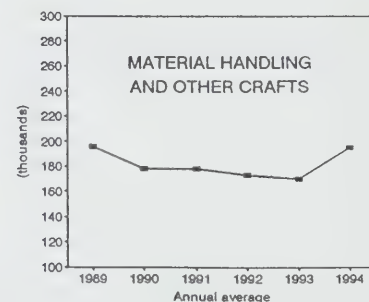
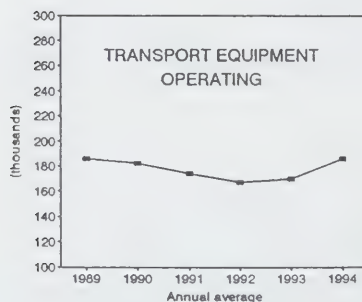
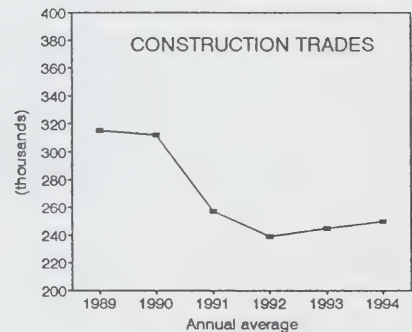
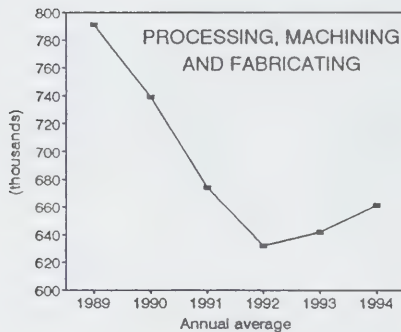
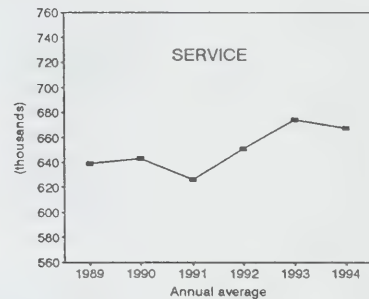
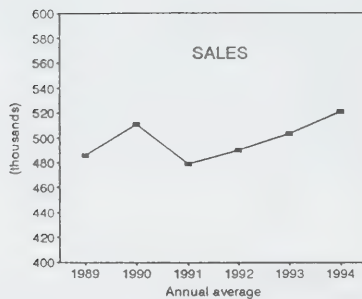
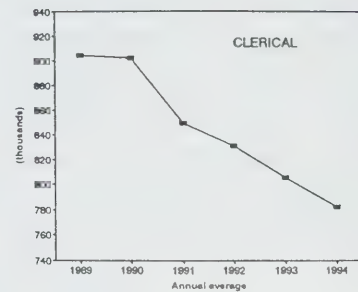
If the jobs that are being created today are more likely to be in the service sector, are these jobs better or worse than those that have been lost? This section looks at several job characteristics in order to answer this question.

Occupation

The conventional wisdom is that skilled manufacturing jobs are being replaced by unskilled "hamburger flipper" service jobs. This view is not completely supported by the data. While the greatest reduction in employment levels by occupation was with processing, machining and fabricating workers (manufacturing sector), the number of clerical workers (service sector) decreased almost as much. The number of people working in construction trades has also declined.

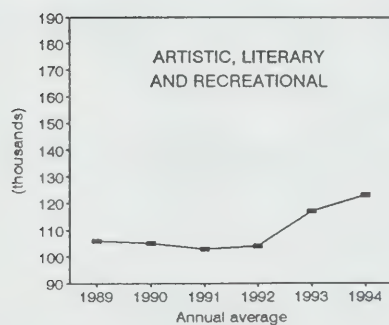
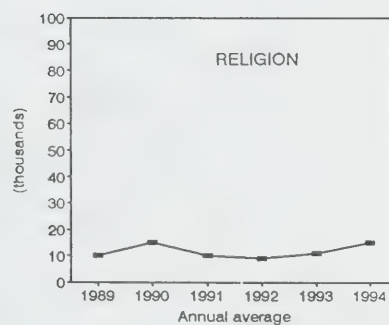
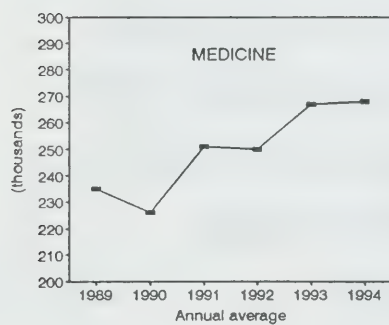
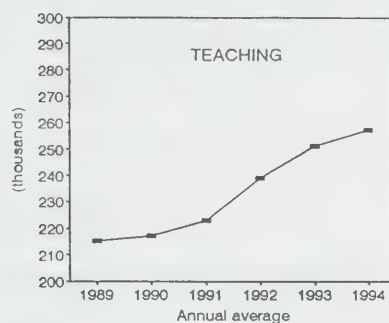
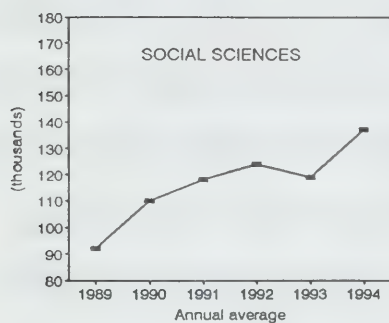
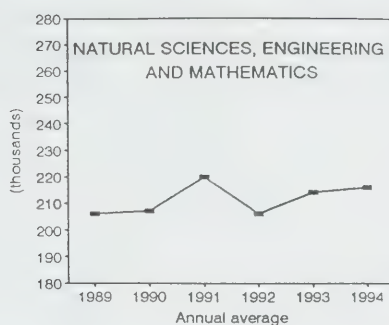
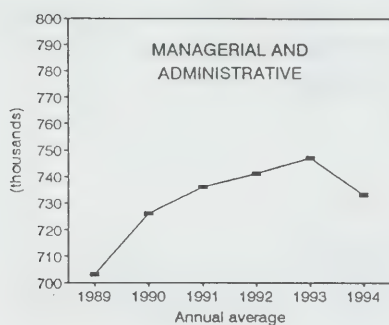
The biggest gains were in the managerial and other professional occupations; sales and service have also recorded a modest increase (Chart 6). Amongst the managerial and other professional category (Chart 7), social sciences, teaching and medicine have increased steadily. This occupational trend corresponds to the increase in education, health and social services industries noted earlier. Interestingly, the number of managers and administrators declined in 1994—reflecting perhaps the effects of the current layering trend in organizations.

ONTARIO LABOUR FORCE BY OCCUPATION, 1989-1994



Source: Statistics Canada, "Labour Force Annual Averages, 1989-1994," Table 14A.

MANAGERIAL AND OTHER PROFESSIONAL OCCUPATIONS IN ONTARIO: 1989-1994

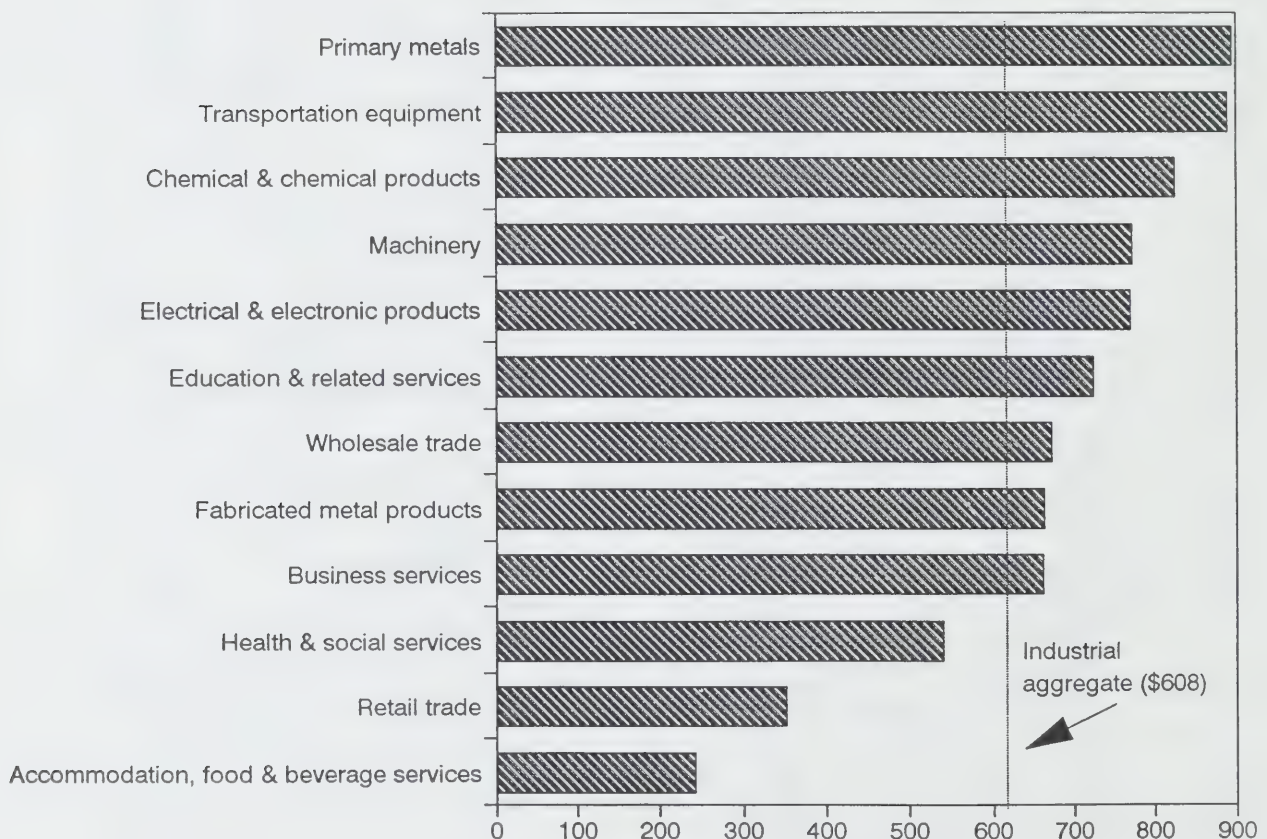


Source: Statistics Canada, "Labour Force Annual Averages, 1989-1994," Table 14A.

Earnings

A corollary to the conventional view on occupational change is that service jobs are lower paid than manufacturing jobs. There is some truth to this assertion. In December 1994 the average weekly earnings (including overtime) for all employees was generally higher for the manufacturing industries than for the service industries, including health and social services.

ONTARIO AVERAGE WEEKLY EARNINGS SELECTED INDUSTRIES: DECEMBER 1994

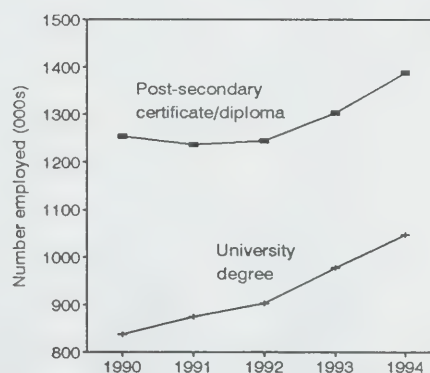
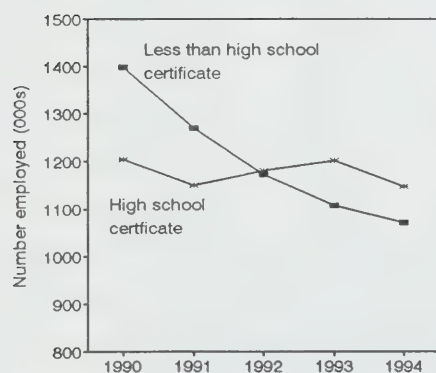


Source: Statistics Canada, "Employment, Earnings and Hours," December series.

Education

Are the jobs that are emerging typically low skilled jobs? It does not appear so. The growth occupations—social sciences, teaching and medicine—tend to require high skill levels. Other data also show that those attaining higher education levels are gaining a larger share of available employment. In 1990⁴, roughly half of all those employed had an educational level of high school or less; 27% of these had not graduated from high school. By 1994 the number of workers with high school certificate or less had declined to 43%, with most of the decline occurring amongst those leaving school without a high school certificate. There was a corresponding increase in the workforce with a post-secondary certificate or diploma or a university degree. The following charts clearly illustrate these trends. While these data do not directly link the skill level required for the job with the qualifications of the employee, they do indicate the advantages of higher education in gaining employment.

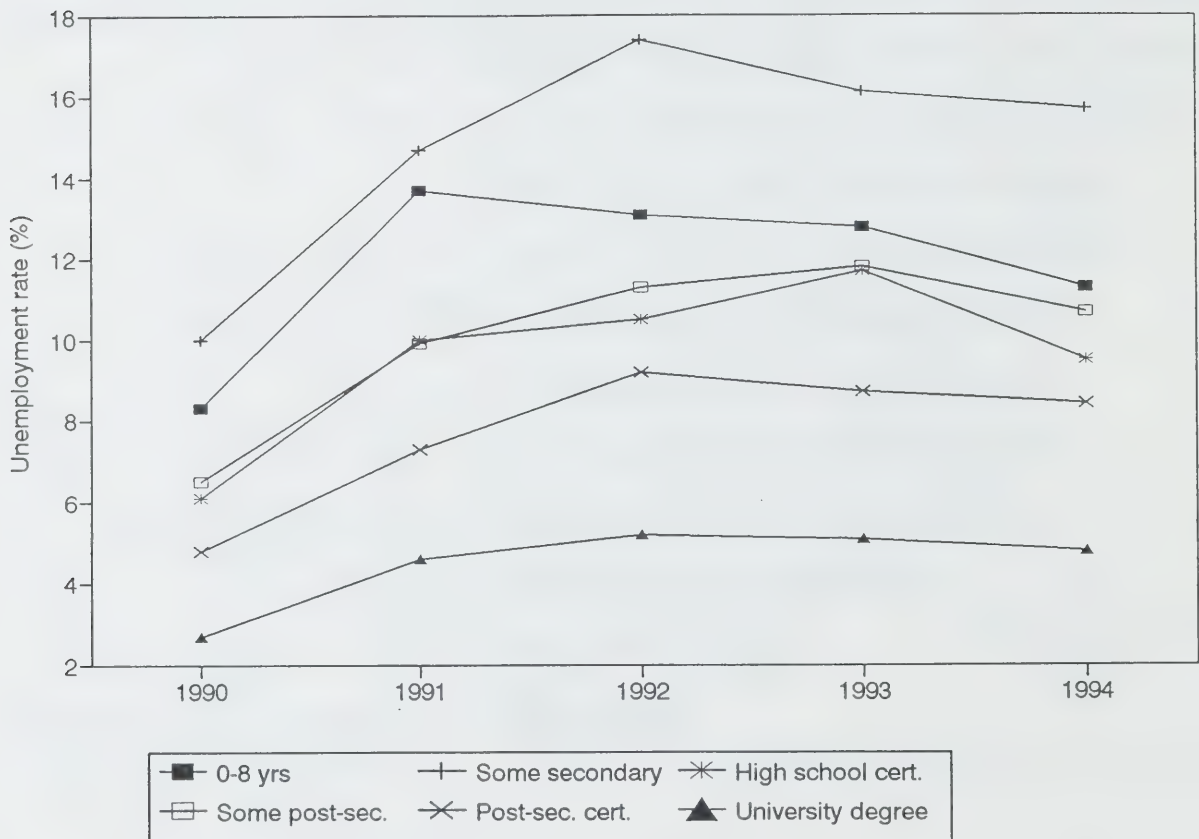
EMPLOYMENT BY EDUCATIONAL ATTAINMENT
ONTARIO: 1990-1994



Source: Statistics Canada, "Labour Force Annual Averages, 1989-1990," Table 5.

The benefits of education with respect to employment also show up in unemployment data: those with a post-secondary education consistently have lower unemployment rates than those with lower levels of educational attainment. For example, employees who had some secondary education but had not gained a high school certificate recorded unemployment rates of 10.0% in 1990, 17.4% in 1992 and 15.7% in 1994; corresponding rates for those with a university degree were 2.7%, 5.2% and 4.8%.⁵

UNEMPLOYMENT RATE BY EDUCATION ONTARIO: 1990-1994



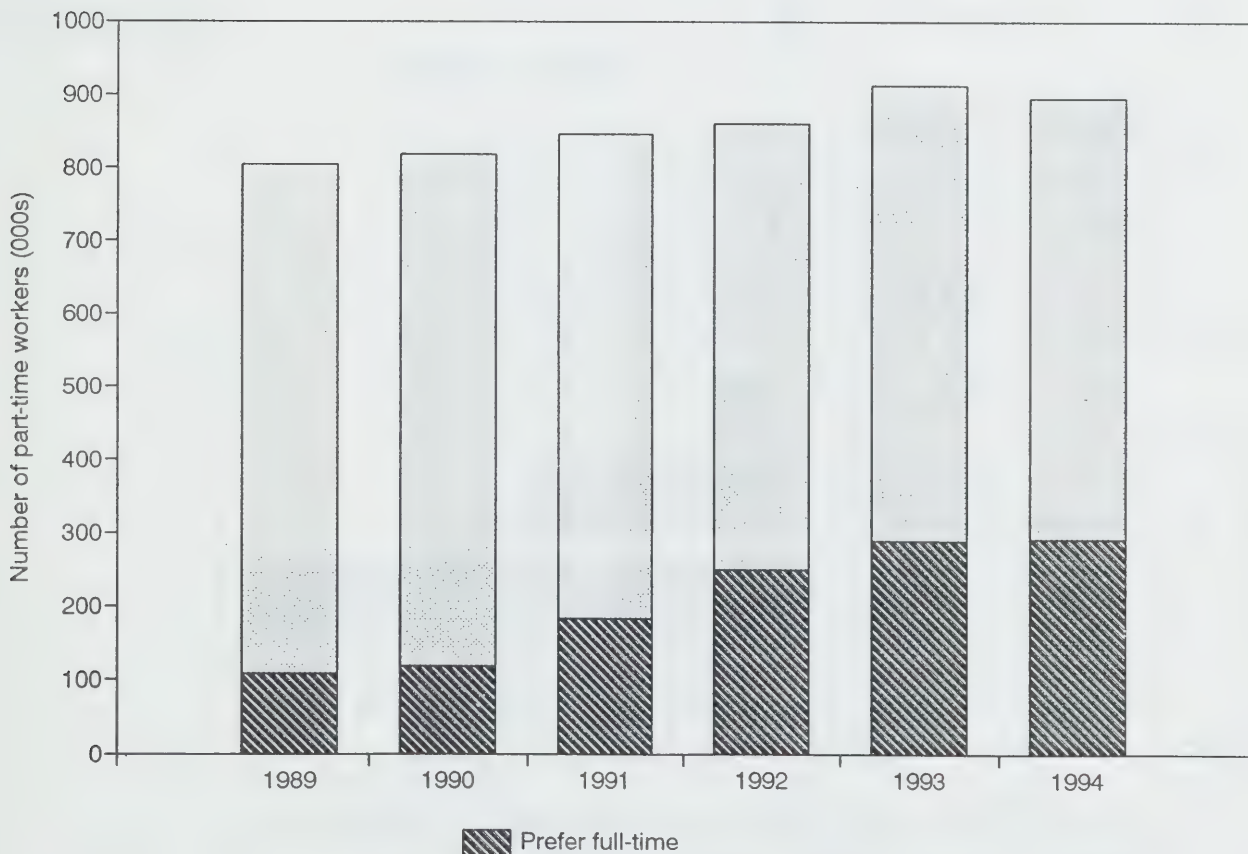
Source: Statistics Canada, "Labour Force Annual Averages, 1989-1994," Table 5.

Part-time employment

Another facet of the labour market to explore is whether those who work part-time do so by choice or because full-time work is not available. In 1989, a little over 15% of the workforce worked part-time; this proportion increased to almost 18% in 1993, dropping slightly to 17.4% in 1994. Not unexpectedly, agriculture, trade and services record the highest proportion of part-time workers, ranging from 20% to 25%.⁶

Of the 15% of the workforce who worked part-time in 1989, 14% of them would have preferred a full-time job. The others worked part-time by choice because they had personal responsibilities, were going to school or did not want full-time work. In 1991 the number working part-time involuntarily began to increase and by 1994 had more than doubled, reaching 36% of part-time workers.⁷

PART-TIME EMPLOYMENT, ONTARIO 1989-1994

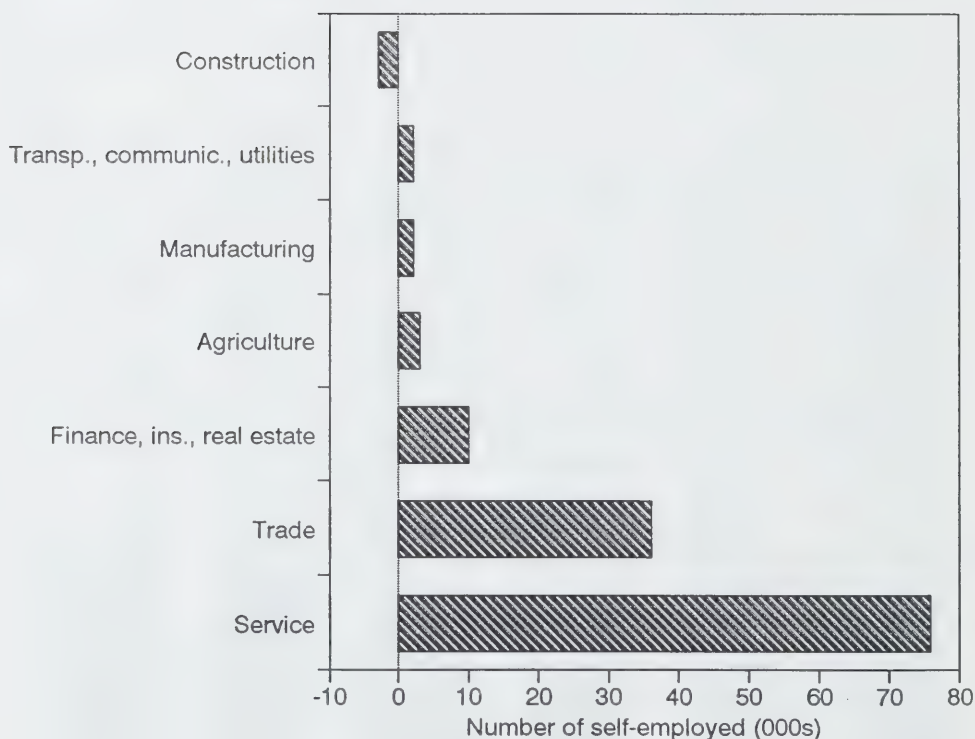


Source: Statistics Canada, "Labour Force Annual Averages, 1989-1994," Table 10A

Self-employment

There were more self-employed workers (both incorporated and unincorporated) in 1994 than 1989, even though the total labour force was less; the percentage of the labour force that was self-employed increased from 11.8% to 14.5%. Over two-thirds were unincorporated. Agriculture and construction traditionally have the largest percentage of self-employed, but the largest increase was experienced in trade, finance, insurance and real estate, and services.⁸

CHANGE IN SELF-EMPLOYMENT, BY INDUSTRY
ONTARIO: Between 1989 and 1994



Source: Statistics Canada, "Labour Force Annual Averages, 1989-1994," Table 13.

DISCUSSION

Summary

The main conclusions to be drawn from the data are that while the long-term shift from manufacturing to service employment has continued through the last recession, these jobs are not necessarily low-skilled jobs. High growth industries are health, social, education and business services, many of which are high skilled occupations. Despite the skill level, these service occupations are not necessarily higher paid compared to manufacturing occupations. The results also point to more people working part-time who would prefer to be working full-time, implying continued deficiencies in the labour market, and an increasing number of self-employed. These trends have implications for the development of policies concerning, amongst others, wealth creation, taxation and training.

Implications

Wealth creation

The traditional view of wealth creation holds that a region's wealth is the result of the goods it produces and ships out of the region, thus bringing dollars into the region; while services support this goods production, they are not directly responsible for creating wealth. Thus the increasing dominance of services over goods production has given rise to some disquiet about the ability of the Ontario economy to keep growing and create jobs.

The Economic Council of Canada, in its statement *Good Jobs, Bad Jobs*, has argued that this concern may be misplaced. In the Council's view, dividing the economy into goods-producing and service-producing sectors is now somewhat artificial as the two sectors converge and become increasingly interdependent; an example is the incorporation of information technology into the manufacturing process. The Council concluded that, while a healthy goods sector is necessary for employment and output, services are an important source of employment and output in their own right.⁹

Part of the Economic Council's analysis lies in the separation of services into three groups:

- ▶ dynamic: critical to the production and distribution of goods, high value-added, and internationally competitive (e.g., transportation, communications, wholesale trade, finance, real estate, insurance, business services);
- ▶ traditional: mostly personal services that operate locally (e.g., retail trade, accommodation and food services); and
- ▶ nonmarket; public sector services such as infrastructure, health and education.

It is the dynamic services that have the strongest links with goods-producing industries though non-market services are important in providing a competitive environment in which the goods-producing sector can operate. The conclusion in this paper, that those industries with high-growth employment levels are mostly in non-market services, may give rise to some concern for the future of Ontario's economic growth. The shift to services *per se* need not be harmful to wealth creation, but policies to further economic growth should emphasize those dynamic services that provide vital, high value-added inputs to the goods-producing sector.

Taxes

From the government's perspective, a shift to services in both output and employment has several financial ramifications. Firstly, the provincial sales tax is not applied to many services so, as services account for a greater proportion of the economy, the sales tax revenue base will be shrinking in relation to the size of the economy. This is less of an issue if the provincial sales tax is harmonized with the Goods and Services Tax, as promised by the new Conservative government in its election campaign, since the GST does tax services. Secondly, if service sector employees are less well paid on average than manufacturing employees, the revenues from income tax will be smaller. Finally, the growing number of self-employed, who are able to utilize a variety of tax credits and deductions for their business, may result in lower income tax revenues. Consequently, the trend towards more service employment may have a negative impact on government revenues; further consideration should be given to the effect of a changing industrial structure on government finances and the appropriateness of the existing taxation structure.

Education and Training

A significant trend observed in this paper is the higher unemployment of those without some form of post-secondary education. Statistics Canada commentary concludes that occupation also makes a difference to unemployment rates: the lowest rates are in occupations such as nursing, architecture, engineering, social sciences, medical, management related; the highest in farm labouring, food processing and preparation, material handling, textile fabricating, sports and recreation, accommodation. The lowest unemployment occupations are those with high skill levels.¹⁰ This paper has also shown that employment growth has tended to be in these occupations. It is therefore critically important both for individuals and for the economy as a whole to keep people in school and facilitate their continued training to enable them to keep up with the transition to a high-skilled service economy.

CONCLUSION

Ontario's labour market is in a state of flux. Jobs lost in the last recession are returning in neither the quantity nor the industries of the 1980s. The most significant areas of growth have been in business and community services, particularly the health and social sciences. Higher education continues to be important in finding employment. During the period under review there has been an increase in the number of part-time workers, especially those who would prefer to have full-time work, and in the number of self-employed. These changes in the structure of the labour market have implications for government policies that need to be addressed if Ontarians are to maintain and increase their standard of living.

NOTES

¹ Henry Pold, "Employment Estimates from the Labour Force Survey and the Survey of Employment, Payrolls and Hours," *The Labour Force*, Cat. No. 71-001 (Ottawa: Minister of Supply and Services, June 1987,; pp. 87-101.

² Average between 1984 and 1988 calculated from data in *Ontario Economic Outlook, 1994-1998*, Table 31, published by the Ontario Ministry of Finance in November 1994.

³ Statistics Canada, *The Labour Force*, Cat. No. 71-001 (Ottawa: Minister of Industry, April 1995), Table 12.

⁴ The earliest year for which comparable data on educational attainment are available.

⁵ Statistics Canada, *Labour Force Annual Averages, 1989-1994*, Cat. No. 71-529 (Ottawa: Minister of Industry, Science and Technology, 1995), Table 5.

⁶ *Labour Force Annual Averages, 1989-1994*, Table 10A.

⁷ *Labour Force Annual Averages, 1989-1994*, Table 19.

⁸ *Labour Force Annual Averages, 1989-1994*, Table 13.

⁹ Economic Council of Canada, *Good Jobs, Bad Jobs: Employment in the Service Economy* (Ottawa: Supply and Services Canada, 1990), pp. 1-10.

¹⁰ Dave Gower, "Unemployment—occupation makes a difference," *Perspectives*, Cat. No. 75-001E (Ottawa: Statistics Canada, Winter 1991).

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